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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2145

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CONTENTS

ROMANIA

ROMANIAN-HUNGARIAN ECONOMIC, TECHNICAL COOPERATION AGREEMENT

Bucharest BULETINUL OFICIAL in Romanian No 29, Part I, 27 Mar 81 pp 21-23

[Agreement between the Socialist Republic of Romania and the People's Republic of Hungary regarding long-term economic, technical and scientific cooperation]

[Text] An Agreement between the Socialist Republic of Romania and the People's Republic of Hungary Regarding Long-Term Economic, Technical and Scientific Cooperation

The Government of the Socialist Republic of Romania and the Government of the People's Republic of Hungary, hereafter called the contracting parties, on the basis of the Treaty of Friendship, Cooperation and Mutual Assistance between the Socialist Republic of Romania and the People's Republic of Hungary concluded on 24 February 1972, taking into consideration the achievements and the experiences of the two countries in building socialism and showing the ever greater importance of economic, technical and scientific cooperation, especially cooperation in production, between the socialist countries for the development of the national economies of the two countries, emphasizing the reciprocal interest in putting to most efficient use the opportunities offered by their economic potentials in the two countries, which have decided to make new efforts for the better use of the advantages stemming from being neighbors, reaffirming their decision to continue to extend long-term economic, technical and scientific cooperation between the two countries on the basis of the principles of Marxism-Leninism, proletarian internationalism and solidarity, national sovereignty and independence, equal rights, non-interference in domestic affairs, mutual respect and advantage and comradely assistance, and beginning with the principles of relations between socialist countries, mutual assistance and the international socialist division of labor, as well as being guided by the desire to contribute to the achievement of the "Complex Program for Continued Furthering and Improvement of Cooperation and Development of Socialist Economic Integration of CEMA Member Countries" and having decided to contribute to implementing the provision of the Final Act of the Conference for Security and Cooperation in Europe, have decided to conclude this agreement and, to this end, have agreed upon the following:

Article 1

The contracting parties will broaden and further economic, technical and scientific cooperation as well as cooperation and specialization in production, on a long-term basis (hereafter called cooperation), and will develop, diversify and improve forms of cooperation in different fields in the countries' national economies.

Article 2

The contracting parties will assist and stimulate, in accordance with their domestic laws, the development and diversification of cooperation in fields of mutual interest between ministries and other central organs (hereafter called central organs), economic organizations and enterprises and research and design institutes (hereafter called economic organizations).

In annex No 1 (annexes Nos 1 and 2 were forwarded to the interested institutes), which is an integral part of this agreement, there is mention of the cooperation and specialization in production understandings regarding the period 1981-1985, whose signing will take place during the period 1980-1981.

The principal fields of long-term cooperation are outlined in annex No 2, which is an integral part of this agreement. The central organs and economic organizations can initiate cooperation in other fields on the basis of mutual advantage.

The contracting parties agree that long-term reciprocal deliveries between the two countries, over periods of 5 years and longer, will be included in the understandings regarding bilateral coordination of plans, as well as in the long-term agreements regarding trade and payments.

Article 3

The contracting parties will carry out cooperation activities beginning with the provisions of the development plans of the national economy of each country.

Article 4

The contracting parties agree that cooperative actions that were established in bilateral documents will be included by each party in the development plan of its national economy according to its domestic laws, providing the material means necessary for their achievement.

Article 5

For the purpose of achieving the objectives contained in this agreement, the principal forms of cooperation are as follows:

a) the coordination of development plans on a long-term basis for the national economies of the two countries;

b) exchanges of experiences in the field of improving the planning methodologies of the national economies;

c) the use of the system of understandings in the field of trade, including agreements, conventions and reciprocal delivery contracts for goods over the long-term in fields of mutual interest;

d) the cooperation and specialization in production of installations, machinery and equipment, subassemblies, parts and other products for their domestic needs and for delivery to third countries;

e) the creation of joint enterprises and joint production companies in the two countries and joint production and sales companies in third countries;

f) the cooperation in design and construction of economic projects and in increasing the production capacities or modernizing them, as well as in the field of the most efficient use of production facilities.

h) the cooperation in the financial field;

i) the cooperation in the use of certain inventions, technical documentation, and know-how in both countries and in third markets.

Article 6

The contracting parties will work in the direction of developing long-term cooperation and, through this, of broadening and diversifying trade between the two countries.

The reciprocal delivery of goods that stems from cooperative agreements and contracts will be included in the coordination protocols of the five year plans and the long-term commercial agreements, including the annual commercial protocols regarding trade and payments between the two countries, and will be achieved in accordance with these provisions.

Article 7

The Joint Romanian-Hungarian Governmental Commission on Economic Cooperation will work to implement the provisions of this agreement, will periodically examine the manner in which cooperative actions are carried out between the two countries and will recommend measures regarding the continued development of these activities.

Article 8

This agreement will take effect on the date on which the contracting parties mutually inform each other through diplomatic channels that they have completed the provisions of domestic law regarding the implementation of international agreements.

This agreement is concluded for a period of 15 years and its validity will be extended through tacit renewal for periods of 5 years if none of the parties denounce it, providing notice of this decision 12 months prior to the expiration date.

Article 9

This agreement does not affect the obligations of the parties stemming from other economic and technical-scientific cooperation agreements in effect between the two countries.

The end of the validity of this agreement does not affect the validity of conventions, contracts and other understandings concluded between the central organs and economic organizations of the two countries on the basis of this agreement.

This agreement was concluded in Bucharest on 31 October 1980, in two original copies, each in Romanian and Hungarian, with both texts being equally authentic.

[Signed] For the Government of the Socialist Republic of Romania, Nicolae Constantin

[Signed] For the Government of the People's Republic of Hungary, Marjai Jozsef

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ROMANIAN-YUGOSLAV ECONOMIC, TECHNICAL COOPERATION AGREEMENT

Bucharest BULETINUL OFICIAL in Romanian No 19, Part I, 27 Mar 81 pp 2-5

[Text] An Agreement Regarding the Long-Term Economic and Technical-Scientific Cooperation Program between the Socialist Republic of Romania and the Socialist Federal Republic of Yugoslavia.

The Government of the Socialist Republic of Romania and the Federal Executive Council of the Assembly of the Socialist Federal Republic of Yugoslavia (hereafter called the contracting parties), beginning with understandings at the highest level, taking into consideration the friendly and traditional relations between the two countries which are being developed on the basis of the principles of fully equal rights, respect for national sovereignty and independence and territorial integrity, non-interference in domestic affairs and mutual advantage in the wish to ensure a stable and long-term base for economic cooperation, and keeping in mind the interest to continue to support the activities and initiatives of the interested organs and organizations in broadening mutually advantageous economic and technical-scientific cooperation have agreed upon the following:

Article 1

The contracting parties find that there is mutual interest in continuing to promote and improve economic and technical-scientific cooperation and have agreed to assist the interested organs and organizations in the two countries to develop and achieve this cooperation over the long-term.

Article 2

The Field of Energy

Keeping in mind the fruitful cooperation up to the present in the field of energy, the level of development attained in this field in the two countries and the need to develop the energy base, the contracting parties feel that this cooperation must also be continually developed, especially by:

- expanding cooperation in the exploitation of the hydroelectric potential of the Danube River, putting to more complex use the Iron Gates-I Hydroelectric and Navigation System, building the Iron Gates-II Hydroelectric and Navigation System and studying the possibility of constructing pump-dam hydro-power stations;

- exchanging electrical energy and offering assistance under mutually advantageous conditions;

- cooperating in the building of thermal power stations and hydro-power stations, increasing the energy potential of the two countries through long-term industrial cooperation and specialization in the production of machinery and equipment for this purpose;

- developing cooperation through the study and use of new energy sources: nuclear, solar, windpower, thermal waters, biogas, micro-hydro-power stations; and, the study of the possibilities of building certain new energy facilities on the basis of these primary and secondary resources.

Article 3

The Field of Raw Materials and Metallurgy

The contracting parties have found that there is mutual interest in expanding cooperation in the field of raw materials and metallurgy and have agreed to assist the achievement of this between the interest organizations that will carry jointly investments and projects on the basis of research, especially in:

- cooperating in the field of geological research and prospecting in order to identify metallic and non-metallic ores;

- expanding existing cooperation in geological research and prospecting for crude oil and gas along the border regions and in the mutual exchange of experiences and information regarding the results of this cooperation;

- jointly participating in investment projects to expand and build new production facilities in the field of raw materials in the two countries for the purpose of creating the means for increasing reciprocal deliveries;

- continuing cooperation for the more complete use of facilities in ferrous and non-ferrous metallurgy and making products from non-metallic ores, especially through processing operations, including coking coal processing;

- expanding cooperation in the field of metals and ores, including joint participation in investment projects to increase reciprocal deliveries, first of all on the basis of cooperation and specialization in production so that the portion of this will reach at least 50 percent of this total trade;

- cooperating and collaborating in the production of refractory and asbestos materials.

Article 4

The Field of Building Investment Projects

The contracting parties confirm the interest of the two countries to develop cooperation in the field of building investment projects, through:

- the participation of the industrial organizations in the two countries involved in deliveries of installations, equipment, assemblies and sub-assemblies, and materials;

- long-term industrial cooperation and specialization in the production of technological equipment in the fields of machine building, electronics and electrotechny, chemicals, metallurgy, the food industry and agriculture;

- the elaboration of joint technologies and, on this basis, the design, construction and equipping of complete industrial projects in each country and in third markets.

Article 5

The Field of Machine Building, Electronics and Electrotechny

The contracting parties have expressed their interest for the mutually advantageous multilateral development of cooperation, collaboration and specialization in production for the purpose of building equipment and other products of machine building, electronics and electrotechny.

First of all, the contracting parties will keep in mind cooperation and specialization in production of:

- vehicles, motors and parts;

- ships, naval equipment, especially cargo ships and passenger ships of various types and tonnages, specialized ships, naval diesel motors, generators, electromotors and other naval equipment;

- machine-tools, especially to complete the production programs of the two industries;

- construction and mining equipment, especially bulldozers, tracked tractors, surface excavators and others;

- electric locomotives, components for these, parts, assemblies, sub-assemblies and hydraulic parts for diesel locomotives and control equipment;

- passenger and freight railcars, special railcars and components for these cars;

- agricultural machinery and tractors through specialization by type, production of machine systems for mechanizing agricultural work according to the requirements of the two countries;

- electronic and electrotechnical products and equipment for automation, components and materials specific to the needs of this industry.

Article 6

The Field of Chemicals

Keeping in mind the positive results obtained to date, as well as the mutual interest in continuing to develop cooperation and specialization in the chemical industry, the contracting parties will assist the interested economic organizations regarding cooperation, for the purpose of meeting the requirements for chemical products over the long-term, through:

- joint construction of new facilities and development of existing ones;

- cooperation in production of polyethelene and, on this basis, increasing mutual trade of specialized products;

- an increase in the production and trade of raw materials for producing chemical fertilizers, on the basis of deliveries of ammonia, phosphoric acid and products based on phosphorus;

- an increase in reciprocal deliveries of low volume chemical products, pesticides, treated products and other substances;

- specialization in the production of chemical products that are used in electronics and electrotechny;

- specialization in the production of medicines, especially antibiotics, pharmaceutical products and cosmetics;

- specialization in the production of and an increase in the reciprocal deliveries of heavy-duty tires, rubber items and others;

- specialization in the production of and an increase in the deliveries of reagents, pigments, dyes, laquers and paints.

Article 7

The Field of Agriculture and the Food Industry

The contracting parties have found the need to develop cooperation in the field of agricultural production and the food industry, the exchange of experience and scientific information, cooperation in production, participation in developing and supplying agricultural production and the facilities of the food industry, through:

- jointly organizing research, production and an exchange of seeds and seed materials, reproduction materials and certain fodder crops, vegetal products and products for zootechny;

- irrigation and the improvement and desalinization of the land;

- cooperation in the field of veterinary medicine, especially through exchanges of veterinary materials and medicines;

- the elaboration of joint technologies and, on the basis of this, building and equipping facilities for agricultural and food industry products.

Article 8

The Field of Transportation

Beginning with the finding that growing requirements have appeared for the transportation of goods between the Socialist Republic of Romania and the Socialist Federal Republic of Yugoslavia and other countries, and that there are many opportunities for joint development of these activities, the contracting parties have agreed to assist:

- the expansion of cooperation in maritime transportation within the framework of a separate agreement regarding cooperation in this field;

- the achievement of long-term cooperation, through the appropriate organizational forms on the basis of the interests of the organizations of the two countries for using transportation on the Danube River, on direct ties between the Black Sea and the North Sea and the facilities in free zones and ports;

- the cooperation and expansion of transportation of goods via railroad, especially by opening new transportation routes;

- the increase and extension of cooperation in the field of highway goods transportation.

Article 9

The Field of Science and Technology

The contracting parties have found that there is interest on the part of the organizations of the two countries for broadening cooperation in the field of science and technology, for the purpose of accelerating technical-scientific progress, the rationalization of production and the growth of labor productivity.

This cooperation will be directed towards:

- the higher use of raw materials and materials, including raw materials with a low useful-substance content;

- the joint creation of new technologies, machinery, equipment and installations that will ensure the reduction of the rate of energy, raw material and material consumption in the production processes in machine building, chemistry, petrochemistry, metallurgy, energy production, the construction materials industry, the food industry, light industry and other industries;

- the elaboration of technological processes and procedures for the better use of renewable materials and raw materials in industrial and agricultural production processes, the use of household wastes and others;

- the design and production of machine-tools that have a high degree of technology for processing metals, and equipment, installations, powered lines and automated systems for investment projects in various fields of the national economies;

- the introduction of electronic computer techniques and microelectronics into technological processes and into management activities in the economy;

- the creation of new high productivity soils and hybrids for grains and technical plants and the improvement of animal breeds, corresponding to the new achievements in biological, biophysical and biochemical research;

- the promotion of the most efficient forms of technical-scientific cooperation, such as: carrying out research-development programs on the basis of joint programs and so forth for the purpose of having the accelereated introduction into production of the results obtained through scientific and technological cooperation, also ensuring in this way the development of economic cooperation between the two countries.

Article 10

The Field of Cooperation in Third Markets

The contracting parties have agreed to develop cooperation in third markets, primarily through:

- the research and use of crude oil, coking coal, iron ore, copper, zinc, lead, nickel, bauxite, phosphates, asbestos and other similar products, as well as the construction of facilities for the production of cellulose, alloy steel, ore concentrates and other similar products;

- the development of the production of raw materials such as: cotton, soybeans, sunflowers, wood and other raw materials;

- the construction of energy projects (thermal and hydro-power stations, transformer stations, power lines and others);

- the joint sale of machine-building products, especially those made as a result of cooperation and specialization in production;

- design, engineering and consultant activities, service and personnel training.

Article 11

The Field of Trade

For the purpose of achieving a stable and balanced long-term trade at an increased volume appropriate to the real possibilities of the national economies, the contracting parties:

- will make efforts so that reciprocal trade will be increased at higher annual rates than the rates of growth of their total foreign trade;

- will make efforts so that the percentage of products resulting from cooperation and specialization in long-term production will represent 40 to 50 percent of the total volume of reciprocal trade ;

- through the creation of the appropriate organizational forms, will assist the promotion of cooperation in engineering, consulting, design and delivery of equipment, construction, service and personnel training, and the joint presentation of products obtained through long-term cooperation and specialization, both in the markets of the two countries and in third markets;

- will assist in the participation at general and specialization fairs and the organization periodically of expositions showing the achievements of the national economies of the two countries.

Article 12

New Forms of Cooperation

The contracting parties have found that the development up to date and in the future needs an improvement in the forms of reciprocal cooperation.

To this end, they agreed to help in practicing new organization forms through the interested organizations in the two countries, such as: joint cooperation and sales companies, joint production and services companies, joint banks and others according to the regulations in the two countries.

Article 13

Other Fields of Cooperation

The contracting parties have found that there is joint interest for the development of cooperation in the field of tourism and they will help the organs and organizations involved to intensify their activities to:

- increase the exchange of tourists between the two countries;

- exchange experiences in the organization and use of tourist units and places;

- carry out joint actions to improve the tourist attractions in the Socialist Republic of Romania and the Socialist Federal Republic of Yugoslavia and to ensure an increase in the number of visits by foreign tourists;

- cooperate in the design, construction and use of tourist attractions.

The contracting parties have agreed to develop cooperation along the border region by increasing the exchange of goods and services and cooperation and specialization in production.

Article 14

In order to achieve the provisions of this agreement, contracts will be concluded between the interested organizations of the two countries.

Article 15

This agreement is subject to ratification according to the national laws of each of the contracting parties and will go into effect on the date of the exchange of the instruments of ratification.

This agreement was concluded for a period of ten years and will be automatically extended for new periods of five years each if it has not been denounced by one of the parties six months prior to its expiration date.

The provisions of this agreement will be applied to the contracts concluded up to their complete fulfillment and after the expiration of their period of validity.

This agreement was concluded in Belgrade on 24 October 1980, in two original copies in Romanian and Serbo-Croatian, with both texts being equally valid.

[Signed] Prime Minister of the Government of the Socialist Republic of Romania, Ilie Verdet

[Signed] President of the Federal Executive Council of the Assembly of the Socialist Federal Republic of Yugoslavia, Veselin Giuranovici

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FINANCE MINISTER OUTLINES FINANCIAL POLICY

Prague FINANCE A UVER in Czech No 3, 1981 pp 145-150

[Article by Ing Leopold Ler, CSSR Finance Minister: "Financial Policy on the Eve of the Seventh Five-Year Plan," From a Speech at a Meeting of Supervisory Employees and Federal Finance Ministry Functionaries on 6 January 1981]

[Text] Our whole society is living for the preparation for the 16th CPCZ Congress, which will determine the tasks for a further stage in the construction of a developed socialist society in Czechoslovakia.

We have completed the Seventh Five-Year Plan and we are entering the demanding period of implementation of the tasks for the first year of the Seventh Five-Year Plan, under the conditions of the Set of Measures for Improving the Planned Management of the National Economy. This year will mark an important anniversary in the life of our party: the CPCZ will celebrate the 60th anniversary of its founding. This year is also the year of elections to its representative organs.

This is the reason that our working assembly, at which we are to evaluate critically what we are doing well, as well as the areas where we have not been successful, and at which we will consult with each other regarding further improvements in our work, increases in importance and is differentiated from the regular semiyearly evaluations of our work. The introductory report of our discussions also focuses on these points and we are presuming that the talks themselves will come out in support of a further improvement in the work of the whole finance ministry.

The 16th CPCZ Congress will evaluate the performance of the Sixth Five-Year Plan. Certain results are already at our disposal. It is a fact that the final numbers of the Sixth Five-Year Plan did not come out exactly as we had projected. The national income was to have increased 29 percent according to the approved directives, but the reality was about 20 percent. Industry accounted for a major portion of our economic development, its production increasing about 25 percent, and construction production also increased about 25 percent: this represents, however, a lower growth rate in these two crucial branches than provided for by the Sixth Five-Year Plan.

We have conducted a preliminary analysis of the fulfillment of the budgetary outlook for the Sixth Five-Year Plan. We are many billions short in the generation of profits, and costs are higher than we projected, even though unit costs of energy and materials have been reduced, and our exchange relations in foreign trade are worse than we had calculated.

But even though we have not been able precisely to predict and evaluate the complexities of world economic development, the growth of our national economy and economic potential has continued. Certainly an increase in national income of 30 percent is a performance comparable to that of countries with a progressive level of development, and many countries have not come close to achieving such growth. Therefore we can say that we have labored conscientiously and with an eye to the future under difficult conditions, even though not at the scale that we had planned.

From the viewpoint of the main objectives of the Ministry of Finance, it must be stated that we maintained balanced budgetary management throughout the Sixth Five-Year Plan and, moreover, also created certain reserves for resolving our foreign relations. We will also be able to certify the final state accounts for 1980 as balanced. At the same time we are aware that our budgetary management is not all there is in the financial area; it is also composed of the Bank and the finances of VHJ [Economic Production Units] and enterprises. And in this regard we must state openly that the growth of the national economy during the Sixth Five-Year Plan has been assured also by the utilization of external resources. Therefore we must evaluate our performance comprehensively, seriously, and not overestimate it.

We have adopted the course of greater conservation, perhaps later than we should have, a decision which relates above all to conservation measures in automotive operations. It is conceivable that we could apply certain measures more strictly in relation to strengthening conservation, for instance, in the areas of advertising and travel allowances. But there have been certain results in this area, as indicated by the bulletins we have transmitted to the government and the party leadership. We must, however, be aware that we must achieve better management above all in capital investment, in the utilization of capital assets and inventories. These must be the areas of our attention concerning management, i.e., the mobilization of existing potential.

It is my opinion that we have also improved in the frequently criticized area of the utilization of the findings of control and inspection activities. The work of the units of the Finance Ministry must be continually diversified by drawing on the findings of organizational and enterprise operations. We will continue in this practice, and we have agreements to this effect with the administration of the finance ministries of both republics, and we will continue to intensify these forms of work so that our activities will be more and more based on the results of control and inspection.

It is necessary to state that in the past year we have accomplished a major task in the preparation, discussion, and issuance of concrete legal regulations which will implement the principles of the Set of Measures in the area of financial management, accounting, and in the area of the economic relationships in foreign trade. This is an exceptionally large amount of work for such a short period in the activities of the Federal Finance Ministry. This effort by employees of all departments of the Finance Ministry should be highly regarded, whether one considers the employees of the administrative techniques department, of the state budget department, or the departments handling accounting techniques, state incomes, and especially those of turnover taxes, foreign trade, and foreign currency. All of them had a part in seeing to it that the awaited legal regulations were issued on time.

It is obvious that the Set of Measures is not only a set of regulations. The struggle for people's minds will be a complex process which will not take place at once between the end of December and the beginning of January. The struggle of people who know, are able, and want to do something, with the bureaucrats who want to change nothing and want to have a simple life will be a complicated affair, a long-term endeavor. The important thing is that people prepare for this process well, that they carefully study all of the legal standards related to the Set of Measures, not only in the financial area, and that they help, step by step, to carry through the struggle for a new consciousness.

Much work has been done in the foreign-currency area, in preparing the restructuring of prices, turnover taxes, etc. We agreed with the all-factory party committee that the employee collective of the Federal Finance Ministry would work very responsibly and well during 1980. This collective performed a lot of work, especially in the second half of the year. Therefore I would like to thank all of the ministry employees for this exhausting and conflict-filled work, and to thank our all-factory party committee and the basic organization committees for creating an atmosphere of rigorousness at work. I would like to thank the union organizations for their active participation in the main area of our work. Let me also thank the youth union organization for its fine cooperation. I would likewise like to thank the Czechoslovak-Soviet Friendship Union organization for helping to integrate into our work the experiences of the Soviet Union, on which we depend, and from which we proceed. I ask that the attending representative of the economic division of the CPCZ Central Committee accept the thanks of the administration of our ministry for the participation of the employees of that division in all of our major projects and for their help in monitoring us critically, in inspecting our work, advising and helping us to create a positive yet demanding working atmosphere. This is what I wanted to say regarding our work of the past year, at the conclu ion of the Sixth Five-Year Plan.

What Awaits Us this Year, the First Year of the Seventh Five-Year Plan?

I must begin by discussing the state plan and state budget for 1981. The formulation was very complicated, and many critical comments were directed at the plan and the budget. On the one hand, it became clear from the plan that certain managerial employees of the enterprise sphere had not comprehended the basic systemic preconditions under which the process of plan formulation would be positively influenced by the conditions of the Set of Measures, especially in the area of material incentives for the active overfulfillment of the qualitative objectives of the plan. The state plan and the state budget for 1981 are still very strongly characterized by the attitude "give us more, we will give you less." For this reason both the state plan and the state budget for 1981 must be regarded as setting minimal targets, and it is essential that through the year everything is done so that these objectives may be surpassed.

It became evident in the formulation of the plan and budget that we cannot perceive ourselves within closed borders, that we must more and more look around ourselves and compare ourselves with the world. At the same time, the world does not consist only of the Western countries, the world is also made up of the Soviet Union, the GDR, the People's Republic of Hungary and the other CEMA member countries. It is evident that in a number of processes our economic development is slower, that innovative processes

are slower here than elsewhere in the world, that the reduction of energy consumption per unit of production is progressing more slowly here than elsewhere. You have certainly noticed that we are planning for an increase in national income of 2.8 percent, while the GDR has achieved a growth rate of 5 percent. How is it that in the GDR there are a number of enterprises which are able to increase output without increasing electrical energy consumption. It is a fact that the world is progressing faster than we are in a number of rationalizing and innovating techniques. I think, therefore, that some sharp words of criticism are fully in order.

We are a processing country and we must pay with products for imported raw materials. The engineering industry did not fulfill its task in the Sixth Five-Year Plan, nor in the plan for this year is it fulfilling a number of expectations. Why is this? Is it a matter of quality, of technical sophistication? For this reason, financial agencies, including employees of the Czechoslovak State Bank, must be able to uncover the reasons for unsuccessful work and assist in finding unused potential. We must be aware that the approved state budget is balanced in real terms, but that the budget is not at its bearing limit, quite the contrary. In the course of implementation, this budget must contribute improved results, which relates above all to the generation of profits, turnover taxes, the financing of investments, inventories, and all the main components of the state budget and the aggregate financial plan.

The second task for our collective in the upcoming days is to participate actively in the preparation of the foundations for the discussions of the 16th CPCZ Congress. What must we do in this regard? We must think through and formulate collectively the kind of financial policy we will pursue in the eighties. New, altered conditions worldwide and at home necessitate that financial policy play a substantially more significant role in these years than heretofore. We must think over a financial policy which will enable us to invest more positively, channel resources to the support of exports, and to the equilibration of the balance of payments. Take a look, for instance, at the investment plan, where it is spelled out, thanks to pressure on our part, what investments contribute to foreign trade, to the domestic market and for production consumption. As a rule, in the column headed foreign trade there is nothing. But how then are we to resolve our external balance, how are we to assure that we not go down the path to dependence on foreign sources? Such sources are too expensive, costing 12 to 15 percent interest: We would find ourselves at once in a difficult situation. We are capable of standing on our own two feet. Therefore we must count on a more activist financial approach in the formulation of a financial policy. Financial employees, along with bank employees should not permit investments which do not pull their weight, which do not pay themselves off over the long term, or which contribute nothing to exports. This clearly requires great knowledge and experience. Financial employees are the joint creators of the plan, and cannot stand in the position of critics. The plan, this is surely not the State Planning Commission, this is all the central agencies, VHJ, and enterprises: all of these groups do the planning, and therefore they must also bear the responsibility for plan quality.

It is vitally important that the numbers for the projected budget outlook which we will be working on in March for the Seventh Five-Year Plan, and the budgetary outlook itself, which we will be drafting in June of this year, reflect the spirit of the newly expressed objectives of financial policy. They must be numbers which will turn the economy to an external balance and to a better position on the domestic

market. And, of course, we will work out a plan and budget for the year 1982 which will be based on the parameters of the five-year plan. The Set of Measures, then, will take full effect, and a struggle will start which we may describe briefly as: Are you capable or are you not; if you earn, then you receive, if you do not earn, then you do not receive. We are looking forward, then, to highly responsible work, which must be carried out by our whole collective in the area of financial planning and the state budget.

The final state budget for 1980 must be formulated over a greatly reduced time period, because it will be approved in May by the Federal Assembly. The results of 1980 financial management will to a great extent express the overall results of the whole Sixth Five-Year Plan, and must provide stimuli as well for the formulation of financial policy in the Seventh Five-Year Plan in connection with the resolutions of the 16th CPCZ Congress. This is connected with the fact that all the work at the yearly reviews of management must be marked by new approaches, must demonstrate the ways we have prepared for these new matters and how we will implement them. At the same time, it is necessary to notice how the ministries, VHJ, and enterprises have paid attention to studying, understanding, nd explaining all of the legal regulations implementing the Set of Measures, so that they become a part of the behavior of supervisory workers as soon as possible, so that they appear in the initiatives taken by workers and, mainly, so that management results improve constantly.

We are also facing an additional stage of price restructuring, one that will be more complicated than that of last year. It is not a question of restructuring prices in primary branches, but of a restructuring in processing fields. We will have to conduct our work on this in accordance with the Set of Measures so that we will eventually arrive at those prices which will force enterprises to act so as to function closer to the way that the rest of the world works. We must use prices to force enterprises to bring their product prices in line with world levels. For the time being, the formation of new prices is not proceeding smoothly everywhere, and therefore we must be very conscious of not establishing conditions which are too soft. At the end of last year, we conducted a very rapid recalculation of the plan and the budget at the new prices with the help of computer technology. It looks as though everything fit in this aggregate of huge numbers, but nevertheless we will have to monitor very closely, and resolve, all of the smaller inaccuracies in the course of this year.

We face a huge task in the practical implementation of the Set of Measures. The stage of propagandizing the principles of the Set of Measures is behind us: the stage of implementation of, the resolution of material problems, has arrived, and it will be a struggle which will not take place without conflicts. We are not, however, making management changes in order to generate conflicts, but in order to achieve greater efficiency and quality. If enterprises are dependent only on the results of their own work, if we detach them almost completely from the resources of the state budget, then they can come into conflict in the allocation of resources between wages, modernization, and the like. Therefore, Finance Ministry employees will often face the task of finding a solution to a situation which will be in accordance with the Set of Measures. This will require not only a good knowledge of the issues involved, but also at times great personal courage. So

one from the management of the ministry is going to require of any ministry employee that he inspect the quality of any product or component. But every comrade must be able to evaluate responsibly an actual situation and find a solution to a concrete situation faced by a specific enterprise or VHJ.

This is not only our problem. Employees of the State Planning Commission, the Federal Ministry of Labor and Social Affairs and the Federal Price Office, are in the same position. In most instances, we will have to proceed jointly in resolving concrete situations. At the same time, it will be necessary to struggle against bureaucratic routine, and gradually to create feelings of responsibility, particularly among VHJ which are the fundamental components of management. It will be a struggle in which we will firmly require a solution with full accountability from that management component to which the decision logically falls.

I would like to devote another comment to the issue of administration. Now, prior to the 16th CPCZ Congress, this criticism of big administration will appear more and more frequently. We have known very little about this issue, but we are not alone. In the literature of other socialist countries we do not find any prescription which provides a clue as to how to debureaucratize the whole process and make it more accessible to concrete management and interaction with people. It is an indisputable fact that the Federal Finance Ministry is a great source of administrative work in this country: Work is conducted according to our regulations, our decrees determine the work of a number of agencies, require millions of hours of work and tens of thousands of korunas in wages. In this area we must seriously consider our efforts, whether all these regulations, directives, decrees, proclamations, etc., fulfill their management function, whether they are as simple as possible, whether they are fully utilized. We have already made some simplifications on statements of account. Beginning this year, the number of indicators on account statements for economic organizations will be reduced 19.3 percent which, given a concurrent change in the statement period means a saving of 37.4 percent in the amount of data transmitted per year. For the general directorates of VHJ this will amount to a saving of 41.1 percent in terms of indicators, and 52.7 percent in the amount of data transmitted per year. These are only the first steps. We must take a serious look at every sector, at what we are sending out, what we require, what others require, what sort of administrative demands we are creating with the objective of debureaucratizing this management.

The issue of administrative apparatus is connected with this. As you know, a policy is applicable to the state budget as of this year prohibiting an increase in the number of employees in the state apparatus, including national committees. Nor will the volume of wages be increased. The administrative apparatus must increase its performance, and the less productive workers must be replaced with those which are more productive. Furthermore, we must find such workers and we must find the resources to pay them better. We simply must start somewhere. Thus, we are beginning here, we are beginning to a certain extent in the enterprise sphere, we have also begun in the research sphere, in the target sphere, etc. This is a sensitive issue; we must proceed along the path of the analysis of individual performance, we cannot lean harder on capable workers while taking it easy on less productive workers. Our state apparatus, the apparatus of the working class, of a socialist state, is not office workers with "patched" elbows; our state apparatus must be productive and we must also be able to find the resources for compensating productive workers. It will, of course, be a difficult process, but an absolutely essential process.

In our work, we must utilize much more the work of the Finance and Credit System Research Institute (VUFUS) and, on the other hand, we must require certain specific studies from this institute, so that our work will reflect to a greater extent a programmatic character, an awareness of objectives, and a long-range orientation. At times, we still improvise a lot, even though we experimentally verify many things. We will discuss the work plan of this research institute, but it is not a question of this institute alone. It is a matter of every sector of work, in each of which we must establish a programmed, conceptual problem solving approach. For this reason we will have to think about what we will place in the work plan of the VUFUS, so that we will be able to make maximum use of the results of this work.

I would also like to briefly mention personnel policy, because in the end it is people which make the difference. We are conducting a comprehensive evaluation which ought to take place in a spirit of great rigorousness and constructive criticism. It is a matter of evaluating, in the case of every worker, what he did in the Sixth Five-Year Plan, what he wants to do in the Seventh, and of establishing very concrete and clearly defined tasks. The objective is to give the individual certainty, a perspective, but also directed in performance at work.

We will progress further in the gradual generational change at our ministry. This year 10 percent of the supervisory workers will become eligible for retirement, and in the Seventh Five-Year Plan about 25 percent. I do not consider, certainly, the eligibility of an employee for retirement to do a criterion of personnel policy; I value highly good work from people of any age. This does not mean, however, that it is not necessary to proceed in a committed fashion with this generational change. Today we have 90 instructors from the ranks of experienced older workers who take personal responsibility for younger people. They try to teach them to work, think, and to resolve problems independently. We simply must maintain professional efficiency at the Ministry of Finance, especially in the nonrepresentative functions. For this reason we must have younger people in these functions, people who work 5 to 7 years with these "authorities." I am pleased that the personnel department is devoting great attention to this area, and that we have the support both of the professional organization and the all-factory CPCZ committee.

In 1980, we reduced by 5 percent the administrative staff of the ministry. Of this, one-third of the employees retired, and two-thirds moved to other organizations. To date we have resolved the need to conserve on staff, I would say, by this easier path. However, in the past there have been a number of unfilled places in the administrative structure; at the end of last year the number of these unfilled places was reduced by roughly one-tenth; this space, then, is being constantly narrowed. At the same time we must demand labor morality, discipline, efficiency and accountability from all employees without exception. This will not be resolved merely by some decree. It will be accomplished by the collective of supervisory workers through an increase in demands on worker efficiency, and a concurrent increase in demands by workers of their supervisors. We will not improve matters if we take a mutual interest in the efficiency of each other. Indeed, one of the foundations of social order is upholding discipline through timely arrival at work. It is, however, not a question of how much time a worker puts in, but of what he accomplishes. What a person accomplishes is recognized by how those around him evaluate his work, the employees of other ministries, of VHJ, of enterprises and organizations, it is recognized also according to how he is able to solve concrete problems, according to who the employees of sectors, VHJ and enterprises go to for advice, etc.

In conclusion, I would like to say that the leadership at the ministry has evaluated the recent work of the ministry in conjunction with party organizations and unions and we agree that the employee collective at the Federal Ministry of Finance is a responsible collective and that great trust is being placed on this collective that it will work in the future with even more elan than that which it has brought to the mastery of past tasks, and that the government can be assured that the finance area is functioning well. There will be more and more work. This is, I think, good because at last the economy is moving forward and we are gradually solving problems. We have the foundations for this in our socialist society, in the maturity of the working class and the intelligentsia, in the great experience of our apparatus.

9276
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TASKS IN AREA OF PRICES FOR 1981

Prague FINANCE A UVER in Czech No 3, 1981 pp 151-156

/Article by Docent Michal Sabolcik, Candidate for Doctor of Science, minister charged with administration of Federal Price Office/

/Text/ The life of our society, the activity of the Czechoslovak Communist Party and of all agencies and organizations has been influenced at the start of 1981 by preparations for the 16th CPCZ Congress. One of the most significant and most important components of these preparations has been the outlining of intentions and additional tasks in the area of the socioeconomic policy of the party for the period covering the first half of the eighties--the preparation of a program for social and economic development for the Seventh Five-Year Plan. Under the current complex conditions, a precondition for the achievement of the established goals is the best possible utilization of all possibilities provided by the material technical base, mobilizable unused facilities of the production process, the qualifications, abilities, and initiative of people, and the results of scientific and technical development. Therefore, it is absolutely essential in the near future to introduce a more decisive shift to the utilization of intensive economic growth factors, including prices.

The achievement of these general intentions with a view to the new economic conditions will require us to seek more efficient and rigorous forms and techniques of management and planning. The comprehensive experiment of the management of efficiency and quality which has been in force in the past 3 years, and which also included the verification of price objectives, has shown that it is possible to force the national economy to use resources and materials more successfully through price incentives and policies. The Set of Measures for Improving the Planned Management System of the National Economy After 1980 was adopted, and is being implemented gradually on the basis of these verified findings and on the basis of experience gained in this area in other socialist countries, especially in the USSR.

The effect of the approved measures will be, to a large extent, conditioned by the proper functioning of the price system. The objective of this sector, then, must be the formation of a price system which will contribute to the fulfillment of the intentions established by the 16th CPCZ Congress in the area of economic and social development. The basic aggregate tasks in the improvement of the price system within the framework of the planned management system of the national economy may be characterized briefly as:

--the achievement of the most objective measurement possible of the efficiency of expended social labor on production and services, with the objective of thus creating the conditions for an exact valuation of the claims of enterprises on the achieved results of economic activity and, within the framework of this requirement, to assure the more flexible reaction of the price system to changing external and internal economic conditions;

--to contribute to the stimulation of the requisite innovative procedures and structural changes in accordance with the directives of the national economic plan;

--to tighten price discipline, which will result in increased responsibility by organizations for the achievement of social goals.

The pricing agencies have based their decisions on these basic general goals while recently improving the price system. They are also the basis of the continuity of the price measures adopted at the close of the seventies and prepared for the period of the Seventh Five-Year Plan.

Measures adopted in the sector for the rationalization of the price system were based on the fact that we completed the Sixth Five-Year Plan with a price system created basically within the framework of the comprehensive restructuring of wholesale prices of 1 January 1977, the active role of which has been gradually reduced as a consequence of the unusually rapid changes in internal and external economic conditions.

These developments have meant that the decision of the price agencies to begin work in advance on preparations of fundamental price changes for the Seventh Five-Year Plan turned out to be correct. Disregarding the fact that the prepared program of price changes has not yet been implemented, it is possible to say that information is available concerning fundamental changes in price levels and relationships over the period of the Seventh Five-Year Plan for use in the formulation of a draft of this document, and that this information may therefore be taken into account in the creation of economic proportions, for the administration of structural changes, innovative procedures, etc.

With a view to measures which have been adopted previously, there is the concurrent implementation of:

--a gradual yearly increase in the level of wholesale prices for fuel and energy resources of about 2 percent;

--a one-time, more basic adjustment in the wholesale prices of fuel and energy resources and of certain raw materials for the Seventh Five-Year Plan, to take place on 1 January 1981 and 1 January 1982.

Regarding the gradual yearly increase in the level of wholesale prices of fuel and energy resources, it is projected that from 1979, when this price adjustment was initiated, to 1985 and 1978 wholesale price level for solid and liquid fuels will increase 19 percent by this method, that of electricity 15 percent, and of gaseous fuels 12 percent, even while the consequences of this increase will not be reflected in the prices of related products. It is projected that the plan will take account of only about 40 percent of this price increase in the costs of related sectors, and then only in those which are very energy intensive.

Regarding the most basic adjustment in the wholesale prices of fuel and energy resources, we are entering the Seventh Five-Year Plan with the first phase of this price adjustment behind us, the one which became operative on 1 January 1981. The adjustment to wholesale prices implemented on that date applies to all types of fuel, energy, iron ore, and certain other raw materials and products (molybdenum, tungsten, ammonia, synthetic fibers, etc.) and represents an increase in wholesale prices of Kcs 36 billion.

The principal objective of these efforts is the more realistic valuation of fuel and energy resources and raw materials based both on the growth of domestic costs related to their extraction, and to the influence of increase in the socially necessary costs of importing them. In this connection, of course the problem arises of the most precise possible valuation of the development of costs, especially those of imported raw materials and inputs. The price agencies at the same time base their decisions on expert projections based on foreign-trade figures concerning the projected growth of world raw-materials prices. It is completely understandable that the actual and predicted evolution of these prices may on occasion be subject to small, and sometimes more major, deviations. In the creation of new wholesale prices it is essential to reckon with this dynamic, and it is therefore essential to comprehend the rationalization of wholesale prices as an ongoing process.

Regarding the consequences of external economic relationships, it is necessary to perceive that the extent of the negative influences flowing both from imports and exports, which must be resolved in the price system and in the value relationships for the Seventh Five Year Plan, has no counterpart in the postwar period. Only for comparison: in the comprehensive price restructuring of 1977, when there was the first explosion of world raw-materials prices, we raised raw-material inputs by about Kcs 20 billion. Now the influence is 3 times this figure.

If we do not wish to mechanically transfer these influences into our economy, with the resulting sociopolitical consequences, then we must in the course of price adjustments and price formation develop pressure on their resolution in the production process and in foreign exchange, and minimize their influence on wholesale price levels. It is clear, however that given such a rapid increase in inputs it is impossible to maintain the stability of the wholesale price level.

Wholesale price levels in 1981 and in future years will be further influenced by a substantial increase in the wholesale price of precious metals and changes in the purchase prices of agricultural products. All these price adjustments imply an increase, in the period of 1981, of about Kcs 50 billion per year in the wholesale prices of inputs into the processing sectors.

Related adjustments in wholesale prices in the processing sectors will be realized in the second stage, a year later, on 1 January 1982. Thus, the processing sectors will purchase at higher prices this year, but will sell their products for the existing wholesale prices. This will mean a temporary decline in profitability and earnings for them during this transitional time of 1 year. They will compensate for these consequences with aid from the financial plan and temporary subsidies from the state budget.

In both stages of the one-time adjustments of wholesale prices, there is included an aggregate of about 57 percent of national economic production. It is projected that the overall level of wholesale prices in industry and construction will rise 10 percent by 1982.

From the above, it is clear that the implemented and projected intentions in the area of wholesale prices are, in their extent and impact, extraordinary in comparison with certain previous measures. They provide for a sharp change in valuation criteria, and turns a brighter light on what is and is not efficient, and what should be given future support from the viewpoint of the party, economic instruments, and material incentives. It is, however, necessary to emphasize that prices alone cannot bring about the expected economic effects. Price measures must be understood as a component of a long-term program for the rationalization of consumption and for a higher valuation of fuel and energy resources and raw materials.

Significant price adjustments were also realized in connection with the rationalization of economic instruments in agriculture, where the first stage of purchase price adjustments was implemented on 1 January 1980. Their objective was bringing the profitability of individual agricultural products more in line with the goal of increasing the profitability of livestock raising, influencing an increase in the quality of agricultural products through price differentiation and supplementary instruments, and to increase price pressures toward limiting consumption of concentrated fodder, fertilizer and labor.

All the purchase price modifications were carried out in the framework of a redistribution of agricultural financial resources, without a consequence for the state budget. In relation to the state budget, the increase in purchase prices has been compensated for by a decrease in subsidies in the areas of protein feeds and industrial fertilizers, and an increase in JZD [United Agricultural Cooperative] contributions to social security and in agricultural tax revenues.

An additional step in the fulfillment of the intentions for the area of agriculture was the increase in overall price supports of Kcs 700 million of 1 January 1981. This relates primarily to milk and to products dependent on hot-air drying after harvesting such as hops, tobacco, corn, and other crops. This compensates in part for the influence of increased fuel and energy costs on agricultural costs. In the future, it will be essential to monitor and evaluate the efficiency of these measures taken in agriculture, and to utilize the results of this analysis in developing proposals for additional price adjustments in this area.

In 1981, prices in the capital-investment sector moved in the direction of a further expansion of the progressive method of evaluation on the basis of the total costs of a constructed facility. So far a low level of standardization and repeatability of construction projects is restricting the broader application of aggregate prices.

An additional set of problems connected with improved price management is the strengthening of the incentive and disincentive function of prices, with the objective of increasing pressure on the growth of innovative activity. This objective also forms a significant part of the tasks contained in the Set of Measures.

To increase the efficiency of price incentives it has been essential to implement in practice a comprehensive approach to its conceptualization which rested in the linking of price incentives to the material interests of organizations in required modifications of planning techniques and in corresponding measures for the valuation of products.

While in 1977 price concessions amounted to Kcs 872 million, they increased in 1979 to Kcs 2,127,000,000, and this trend continued in 1980 as well. By the same token, price penalties for insufficient quality increased from Kcs 92 million in 1977 to Kcs 261 million in 1979.

The first condition for increasing the effectiveness of price incentives and disincentives is the creation of conditions so that they may be applied to the requisite extent. For a price concession to be granted or a price penalty imposed on products, it is essential that there be an evaluation of their technical sophistication or of their quality. The extent of price incentives for technical sophistication, quality, and fashionability, as well as the imposition of price penalties, is thus determined by the number of products which are evaluated. An increase in this scope requires, above all, an increase in the number of products which will undergo an evaluation for quality or technical sophistication. The construction of a system of sectorial inspections, within the framework of the principles approved by the Normalization and Measurement Office and valid from 1 January 1981, will be a decisive measure for a substantial increase in the number of evaluated products.

The obligatory evaluation of all new products produced under the state plan for technical development will also help to increase the number of products inspected for their technical sophistication.

A further increase in the rigorousness of evaluation is projected, which will be achieved above all by the consistent comparison of our products with the advanced products of leading foreign producers, and by emphasizing economic criteria of new products in such a way that the technical sophistication, or the quality, is not judged in isolation from the actual efficiency of the products, i.e., the costs, which must be expended to create these qualitative attributes.

In this connection, mention must be made of the extension of price stimulation incentives at the level of realized prices on foreign markets. To achieve this objective, and in the interest of the gradual increase of export efficiency, a new category of price concession or penalty, which is tied to export efficiency, is expected to be put in place gradually in 1981 in specific sectors or VHJ. This system will also be used, in connection with the achieved export efficiency, to change the wholesale price for domestic producers.

An important objective in the improvement of state price administration is the gradual convergence of foreign and domestic prices. The rationalization of the price structure, the formulation of wholesale prices and price limits is based on the utilization of indicators which stem from the international division of labor for the differentiation of profitability as well as, as has been mentioned, price incentive rates, the latter primarily in those sectors, for those products, which influence significantly the efficiency of external economic indicators. The intention is to use prices to help generate pressure on the growth of effective innovational activity, to influence the efficiency of external economic relations, and the like.

At the same time it is necessary to perceive that the national economic plan must play a crucial role in the resolution of fundamental national economic issues and relationships as well as structural objectives.

Regarding the area of inputs, the closer tie between domestic and foreign prices is intended to accomplish a reduction in the percentage of imported raw materials, the prices of which are centrally regulated.

The implementation of this objective implies that in 1981 there will be a reduction of the components included in this regulational system from 198 to 114, i.e., 7 to 8 percent of total imports for industrial consumption, expressed in terms of value. There will be further reductions in the number of elements in future years as well.

The price formation sector has, moreover, been the scene recently of continued efforts at the consistent implementation, in economic practice, of price limits. The broader application of price limits has been pursued primarily so that decision-making concerning future price levels can be shifted to the preproduction phase. Only in this way, clearly, can the price have an efficient impact on cost levels and efficiency of the future product even during the development phase. Even for 1981, increased labor quality is expected along with price limits in such a way that the latter will become a demanding criterion for the work of research and production employees, and employees of the preproduction stages.

In cooperation with central sectorial agencies and price coordinators, a long-term program for the concretization of binding techniques of price formation in individual sectors and product groups will also be developed next year. At the same time, broader application will be sought for parametric and normative techniques of price formation which make it possible to delegate the tasks of the price office to a lower organizational level.

The smooth rationalization of the price system is further aided by the utilization of other new instruments in the price-formation field and which have been tested within the framework of the comprehensive experiment. Among these are the smooth introduction of rate actualization according to profit levels, and of indirect costs used to form prices of new products in conjunction with the justified development of costs, investment intensiveness and efficiency criteria in such a way that even when creating the prices of new products an economically justified profitability can be created.

Intentions in the price area contained in the Set of Measures have already been incorporated into approved and published versions of the updated price regulations and above all into price decrees and government directives concerning state administration in the price area, which then already correspond to the conditions in force in the system of the improved system of planned management of the national economy.

Significant progress has been made recently in the improvement of price discipline with the goal of increasing organizational responsibility in the price area. For this reason as well, preventive inspections have been undertaken to a greater extent. Since 1981, legislative modifications have been efficiently applied which define organizational and agency accountability in the coordination, implementation

and evaluation of price controls, in the assurance of measures established to correct perceived shortcomings, including the application of consequences flowing from personal responsibility and the coverage of damages.

Price control this year is focused primarily on preventive control in the upholding of established principles for the formulation of new wholesale prices which become valid on 1 January 1982, on the correctness of formulation of price limits and the prices of new products. The task of price control will also produce findings concerning organizational behavior in the price area under the conditions stemming from the application of new management elements in accordance with the Set of Measures. The improvement of price-control techniques and an increase in their effectiveness within the framework of a comprehensive control system will be monitored.

The first, and still only scattered and preliminary, findings gained through the testing of the effectiveness of the complex of measures which have currently been adopted and implemented to improve the price system demonstrate that they contribute to establishing more realistic value relationships in the national economy.

However, the actualization of the price system cannot be considered as closed, even after the implementation of all the above-mentioned measures. It is necessary to keep in mind that an additional program is being prepared for the remainder of the Seventh Five-Year Plan, one which, according to current conceptions, should be based on the objectives approved by the five-year plan, on the efficiency of changes in prices carried out within the framework of the one-time wholesale price adjustment of 1 January 1982, and on additional changes in economic conditions, especially on the verifications of predictions concerning import prices. Concurrently with the material expression of the needed price adjustments in the upcoming period, it will be necessary to formulate appropriate methodological instruments, with the aid of which the price measures may be flexibly and rationally implemented in economic life.

The complex of price measures will be consistently based on the resolutions of the 16th CPCZ Congress in the area of prices, and its fundamental goal will be to act along with other management tools to further intensify the efficient development of our economy during the Seventh Five-Year Plan, and to create a solid departure point for the period of the Eighth Five-Year Plan in the price area.

9276
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USE OF BROWN COAL SEEN AS TRANSITION TO NUCLEAR POWER

Hamburg DIE ZEIT in German Vol 36 No 12, 13 Mar 81 p 27

[Article by Joachim Nawrocki: "Energy Management in the GDR: When Brown Coal Turns to Ice...; Technical Lag Now Becomes an Advantage"]

[Text] "We assure you, dear comrade Erich Honecker, that fulfilling and overfulfilling the assignments accepted is a matter of honor for us who build nuclear power plants. We will make every effort to strengthen further the economic base and thereby the productivity of our republic." This is what the managing director as well as the heads of the party, the union and the Free German Youth of the nuclear power plant construction combine wrote across a full page of a newspaper to SED General Secretary Honecker in one of the many statements made in preparation for the Tenth SED Congress.

The nuclear power plant builders have read their Lenin well. He recognized 60 years ago that communism needs the power of the soviets and electricity. "Only by electrifying the entire country, all branches of industry and agriculture, only when you have done this, only then will you build that communist society for yourselves which the old generation cannot build," Lenin said in October 1920 at a communist youth congress.

And it is now almost as serious in the GDR as it was then in Russia. Only if the GDR can solve its energy problems can it count on continued growth or at least on the maintenance of current production levels.

The energy problems of the GDR have the same cause as everywhere in the West and in the East. The rising prices of oil also force the money managers of the DGR to reconsider things, although the GDR is hardly dependent upon oil deliveries from OPEC. The GDR obtains only about 10 percent of its oil needs from world markets; 90 percent of its need comes from the Soviet Union.

The GDR can cover in any event 64 percent of its entire energy consumption, i.e., almost two-thirds from its own sources and almost exclusively from domestic brown coal; in addition, there is some natural gas, some water power and 100,000 tons of oil per annum. With such a large amount of domestic supplies the GDR is much better off than, for example, the FRG and most industrial nations.

Nonetheless, the oil price increases are a heavy burden for the economy of the GDR. For the last 5 years oil prices in East Bloc countries have been calculated at average world market prices. This means that East Bloc prices, in a climate of increasing prices, are always lower than world market prices, but keep pace with them. The GDR currently pays 45 percent less for Soviet oil than for imports from Libya but by 1984 at the latest, Soviet oil will cost just as much as OPEC oil does today.

The GDR is already strangling from the oil profits. SED head Erich Honecker himself already spoke a year ago of the "heavy burdens," which the prices of raw materials and fuels would cause. A reduction of specific energy consumption, according to Honecker, is "a matter of life and death for our economy."

The price which the GDR must pay for Soviet oil was already R18.80 per ton in 1974; now it is more than four times as high and amounts to R80; according to estimates of the German Institute for Economic Research it will double once again and exceed R170.

To be sure, there is a series of circumstances which will ease the course of the GDR through the energy crisis. An indication of this is Honecker's demand to reduce the specific consumption of energy. Up to now in the GDR energy was dealt with rather casually. Apartments were overheated, new buildings had only insufficient insulation, in the transportation sector emphasis was given to diesel locomotives and trucks instead of to the much more economical electric locomotives; there are energy consuming machines and plants in industry, and the brown coal power plants of the GDR operate at much lower efficiency than comparable power plants in the West. This inefficient use of energy also means, however, that there are still very good possibilities for savings.

One advantage upon which the GDR can count is domestic brown coal. The GDR is the largest brown coal producer in the world. In the past year if produced 256 million tons of brown coal; that amounts to 28 percent of world production. By 1990 the production should be increased to 300 million tons. About 80 percent of the increased production, however, should not be burned but further refined, i.e. for the production of synthetic gas, synthetics and pharmaceutical intermediate products.

Known and minable reserves amount to about 18 to 20 billion tons. With a yearly output of 300 million tons they would thus last at least 60 years. In order to achieve this output 21 new openpit mines should be started.

Thirdly, the GDR is by far not as dependent on oil as, for example, the FRG. Only one-fifth of the total energy consumption of the GDR is attributable to oil; in the FRG it is about one-half. Coal is used principally to heat rooms in the GDR, and electric current is produced almost 80 percent from brown coal power plants.

This may be partially attributed to domestic resources, which are always given primary consideration in all economic decisions when a country is so poor in exports as the GDR. It also has something to do with the technical underdevelopment of the GDR economy: oil chemistry in the GDR is by no means up to Western standards, and comfortable oil heating has not been achieved among other things because of high investment requirements in the conversion of heating technology. This technical lag and not a wise energy policy forecast is now being turned to advantage in the GDR.

Some time ago, in fact, the economic commentator of GDR broadcasting, Karl-Heinz Gerstner, announced: "In the socialist community of nations we have countered the lack of vision, one could say, the panic of the West with a concrete, internally consistent, long-term energy policy, in which each mode of energy has its place, including nuclear energy, for it will not work without this if we want to take care of energy needs in the next decades."

Of course, East bloc countries had not been able to predict the price hike for oil. Therefore in the 1970's the GDR was still programmed to use a large quantity of oil-based products in chemical processing, heating and transport.

Thus, for example, the railroads as late as last year were converted from steam to diesel-powered locomotives, which now handle 72 percent of the total transport. On the other hand, the expensive but energy-saving electrification of the rails--for a long time a matter of course in the West--was long neglected.

The energy policy of the GDR was only newly formulated in a Honecker speech in January 1980. Honecker demanded:

--"Oil as a fuel must be replaced by brown coal in quantities not known up to now."

--"The rail network must be increasingly electrified."

--"The brown coal industry must increase productivity and must mine economically with double and triple operational productivity."

--"More must be produced with a slight increase of energy and raw materials." The ratio of resources to increased productivity must change fundamentally and continuously.

--Waste heat must be utilized more intensely. "Waste is no longer permitted."

But all that, of course, costs money, and that is where the problems of the GDR economy begin. The extraction and processing of brown coal is becoming more and more expensive; the beds are deeper; the coal is more aqueous. This means that the energy supply is more dependent than ever on the weather. The harsh winter of 2 years ago has not been forgotten, when the brown coal openpit mines froze to ice after a heavy fall rain and the coal froze in the boxcars, so that entire power plants had to be shut down.

If 80 percent of the increased output of brown coal should go for chemical processing, then little remains to increase electric current. And there will not be more oil. The Soviet Union does not want to increase its annual deliveries of 19 million tons, and the world markets are too expensive.

The import of oil from the Soviet Union now already amounts to almost one-third of all the proceeds from exports in the East German-Soviet trade. Because the GDR cannot throttle other imports, it must incur debts. In the foreseeable future all European East bloc countries will have incurred considerable debt not only to the West but to the Soviets.

It is true that the GDR leadership stresses with satisfaction that increased production was achieved last year without an increased consumption of energy, but that will not be that way every year. Appeals to save are not sufficient; even the GDR will need more energy. Additional brown coal, however, is hardly available and absolutely no more oil. Thus, the only alternative is the development of nuclear energy. Brown coal, according to State Secretary Ziergiebel, who is responsible for the economic use of energy, is "a solid bridge for passage into the atomic age."

This conversion is taking place slowly. The oldest atomic power plant in the GDR is an experimental reactor near Rheinsberg, which, with an output of 75 MW, is insignificant for the production of electricity. The first larger atomic power plant in Lubmin near Greifswald, the Bruno Leuschner nuclear power plant, has been under construction since 1967 and currently has four reactor blocks of the Novo Voronesh type in operation, each with 440 MW; four additional reactors are planned.

A third nuclear power plant has been under construction since 1974 near Stendal, in which 1,000 MW blocks will be installed; a date for completion is not known. Apparently, a fourth nuclear power plant is already planned; in any event, Energy Minister Mitzinger recently announced the placing "of another national order for the development of nuclear energy."

In the 1980's, as recently reported, 10 percent of the production of electricity should come from nuclear power plants. This goal has apparently been achieved. By 1990 20 percent of the electricity should be atomic. And by the year 2000 it should even amount to 50 percent, according to an essay by the atomic scientist and former spy Klaus Fuchs. This, of course, assumes that the technology of the fast breeder will be mastered; this is not yet definitive planning.

The increase of energy production should thus come extensively from nuclear power. The GDR does not have problems with opponents to nuclear energy and environmentalists, although the safety requirements are not so tough as in the West. According to estimates made by energy experts in the GDR alternative sources of energy such as sun and wind will hardly amount to more than 2 to 3 percent of the energy need in this century.

The introduction of energy-saving production technologies, heat insulation and the modernization of heating units, the electrification of the railroad, the exploration of new brown coal mines, the modernization of coal power plants, the development of nuclear energy--all of that costs immense sums of money. More than one-third of all investments in industry are to be made available for the energy economy.

The savings measures in all branches of the economy also cost money and increase the bureaucracy. Industry must, for example, take into account 550 new energy consumption regulations. There are winter regulations, highest permissible temperatures, lighting regulations, transport plans and many other things. What has to be expended to insure the supply of energy and to cover the inflation of imports is taken from the development of production capacity. The shortage of energy will also inhibit growth in the GDR.

9485
CSO: 2300/232

CSIKOS-NAGY ANALYZES 1980 PRICE REFORM

Budapest NEPSZABADSAG in Hungarian 3 Jun 81 p 10

[Text] In recent weeks, the organs that manage the economy scrutinized with a magnifying glass the 1980 balance sheets of the enterprises. Already the economic regulators' modification at the beginning of 1980 would have warranted such close scrutiny. On this occasion, however, the reason for close scrutiny was something else. The production statistics published in the first quarter of 1980 showed a producer price level 7 percentage points higher than had been planned, and to many persons it seemed that some of the objectives set for the 1980 price reform had not been attained.

Proper Guidance

Already in the first half of 1980, however, it became clear that there were no significant distortions in the price system. The same statistics that reported a producer price level much higher than planned also informed us that the consumer price level conformed to the planned level. The curtailment of investment initiative likewise did not indicate that the producer prices were too lax. Until the 1980 balance sheets of the enterprises became available, however, many persons entertained doubts regarding the success of the 1980 price reform. The enterprise balance sheets finally revealed that even though the producer price level was 7 percentage points higher than planned, enterprise profit nevertheless fell short of the plan, by 0.5 percentage point. Two comments seem in order regarding all this:

1. The 1980 annual plan targeted the profit level that could realistically be expected. This was roughly 2 percentage points higher than what the price reform had anticipated. The 1980 annual plan took into account that certain industrial enterprises had built a slight reserve into their prices.

2. Petroleum prices skyrocketed twice on the world market: once in 1973, and again in 1979-1980. The prices charged by Saudi Arabia as the world's largest petroleum exporter can be characterized as follows: In 1972, the annual average price of Saudi crude was 18 dollars per ton f.o.b. Persian Gulf. In 1974, after the first take-off of petroleum prices, this price rose to 85 dollars, and then to 234 dollars in 1980. For the 1980 price reform we took the 1979 price of Saudi crude into account, which had been 127 dollars.

Despite the second take-off of petroleum prices, we introduced the price reform and ordered a freeze on producer prices for the first quarter of 1980. Within this time we completed adjustment to the new price ratios on the world market. Accelerating in the second half of 1979, the rise of the prices of materials on the world market raised the producer price level by 2 percentage points (and between 3 and 4 percentage points in industry). The central price measures introduced in April-July 1980, because of the second take-off of petroleum prices, raised the producer price level by another 2 percentage points (3 percentage points in industry).

The purpose of the 1980 price reform was to generally compel the enterprises to use the world-market prices as a guide when calculating material and energy costs in their economic computations, and also to let the price level and profitability of nonruble-denominated export regulate the producer price level of industrial goods and the profitability of the enterprises. Experience over nearly 18 months convincingly proves that the new price system compels rational behavior in managing the consumption of materials and energy, and that at the same time it provides proper guidance for industrial policy.

Two-Level Price System

But we also wanted to make the price system suitable for introducing uniform exchange rates for convertible currencies in relation to the forint. The planned abolition of dual (commercial and noncommercial) exchange rates requires that the producer price level be nearly 10 percentage points lower than the consumer price level. Therefore we built a standard 11-percent turnover tax into the price system. A gap of 10 percentage points between the two price levels essentially agrees with the practice in the industrially developed countries. We saw this two-level price system jeopardized by the second take-off of petroleum prices. However, the reduction of the United States dollar's exchange rate from 34 to 32 forints at the beginning of 1980 largely solved this problem.

The two-level character of the price system is customarily measured in terms of the commodity structure of the population's consumption as well as of the retail turnover. Its development is shown in the following table (in percent of retail prices):

	1978	1980 plan	1980 report	1981 plan
Population's total consumption	-3.5	+3	+1.5	+0.3
Of which:				
Retail turnover	+1.1	+9	+7.0	+6.0

Significant from the viewpoint of the forint's relationship to other currencies and of the effect on the balance of trade is the price system's two-level character measured in terms of the structure of the retail turnover. The difference in this respect does not exceed the band necessary

to measure the forint's purchasing power with a uniform exchange rate in relation to the convertible currencies. After the repeated upward revaluation of the forint measured in terms of the commercial exchange rate, and after the March 1981 devaluation of the forint measured in terms of the noncommercial exchange rate, the spread or difference between the two exchange rates is only 13.8 percentage points, in contrast with 100 percentage points in 1968.

Aids Restoration of Equilibrium

Hungary belongs in the group of countries that were the most affected by price changes on the world market. In the wake of the first take-off of petroleum prices in 1973, Hungary lost nearly 10 percent of its net domestic material product. We encountered another loss, about 4 percent of the net domestic material product, in conjunction with the second take-off of petroleum prices in 1979-1980. Both were unexpected serious losses that could be solved, even with a purposeful economic policy, only through a program spanning an entire decade.

A great achievement in 1979 and 1980 is the success of the measures introduced to restore international equilibrium. The balance of nonruble-denominated trade was essentially in equilibrium in 1980, for the first time since 1973. It was impossible to restore equilibrium in ruble-denominated trade, but adjustment to the worsened terms of trade is proceeding in a planned manner. The significant progress toward restoring equilibrium occurred amidst economic stagnation. Thus we must still cope with the problem of growth. This also requires that we realize more consistently the changeover from the path of output-directed growth to the path of demand-directed growth.

Earlier we were of the opinion that the course of production's expansion could be set also independently of the market's requirements. An important obligatory rule for planners was that industry had to grow consistently faster than agriculture, and that within industry the growth rate of heavy industry had to be faster than that of light industry. Planners were guided by the input/output relations of production. Here the concept of economic development seemed to have become divorced from the external expectations placed on the economy. However, the path of demand-directed growth subjects development policy to the strict criticism of the market's value judgment. Along such a path the economy is able to develop optimally if already the organizational structure is formed by the intention to market the final product profitably, and when production-related investment decisions are governed by the return on capital in international sales.

Objections, Corrections

Exploration of the new growth path is accompanied by birth pains. We are in the stage of seeking the ways and means, and much depends specifically on preserving the normative nature of the economic regulators to ensure the fullest possible assertion of efficiency.

Thus we cannot agree with those who regard the new growth path simply as a matter of the customary one-time surge of activity that is governed by a policy of export capacity expansion, in the traditional sense. Those who think along these lines will of course complain that the 1980 price reform reduced the rate of profit that can be realized in the producer prices. Actually the desired change cannot be achieved at the touch of a button, simply by pumping more profit into the prices so as to provide financial coverage for the larger investment volume. To the contrary, more of a problem are the greater-than-warranted subsidies for production modernization, and also the fact that in some sectors (at some enterprises) high profits are being realized without appropriate performances. We cannot refrain from correcting such situations.

The customary mentality associated with earning "easy" money manifests itself in many forms and attacks in various ways the competitive price system that was introduced as of 1 January 1980 as a disciplinary force compelling the economy to stand its ground in international competition. Thus it has been proposed that the import price, rather than the export price, should regulate the price level. But this would mean a return to the production-cost price system, with all its irrational features. The import price contains also customs duty, and the latter differentiates to protect the existing production structure as well as the terms of sale. Thus we cannot arrange to follow the import prices. In a few instances we may make concessions to finance import-substitution schemes.

The policy of devaluing the forint--it is usually advanced to ensure in advance that export will be profitable for everyone--is likewise not viable. Furthermore, the available experience also proves that the export incentive is unable to compete with the advantages that the enterprises enjoy on the domestic market. The incentive to export must be combined also with a curtailment of domestic demand and with the thus arising compulsion to export. If this compulsion to export exists, then we will be able to achieve our foreign-trade objectives also with a prudent application of an anti-inflationary policy of the currency's upward revaluation.

The efficiency of export must be improved parallel with an increase of the export volume. A consensus has been reached recently on giving preference to an increase of the export volume in the range of economical exports. Within this circle it will not be necessary to reduce the producer price level (and profit rate) if such a reduction were otherwise necessary because the additional export reduces the efficiency of export. Recession in the capitalist world economy plunges certain sectors into crises from time to time. Declaration of a crisis authorizes the developed capitalist countries to employ protectionist practices. Today such a crisis exists, for example, in the steel industry. We, too, cannot abandon our enterprises in a crisis.

In exceptionally warranted cases, then, we cannot refrain from allowing exceptions. A shutdown must not be the immediate answer to an enterprise's operating in the red. We must learn to sensibly coordinate production

policy and financial policy. There are mistakenly provided investment credits, but it may be a smaller sacrifice to assume their consequences than to shut down production. There are weak enterprise directors and only their replacement can provide a solution, but we cannot avoid the temporary losses resulting from inefficient management. A prudently allowed exception can be to our advantage. The essential thing is that aid must be tied to requirements. We must not hand out money without additional performance.

Impact on Consumer Prices

One objective of the 1968 economic reform was consumer prices geared to producer prices. We allowed 10 to 15 years for a changeover to cost-commensurate consumer prices. The repeated take-off of petroleum prices frustrated these efforts. In the wake of the new price ratios of the world market, and particularly since the introduction of a producer price system that takes the efficiency of export into account, the tasks of consumer price policy have changed. The final objective has not changed, but the order of priorities has. Today we regard as important that the price changes on the world market be reflected also in our consumer prices, possibly without delay. Only in this way can we achieve that prices, in agreement with our foreign-trade interests, will influence the structure of the population's consumption. This is why the prices of petroleum-derived fuels, and of energy in general, have risen so fast since the second half of the 1970s, contrary to our original intentions. The restoration of equilibrium in foreign trade compels us to set realistically the prices of our otherwise abundantly available foods whose export is indispensable to finance our import.

The consumer price system is not a separate world. Admittedly, how the consumer prices develop is primarily a political question. But the more difficult the conditions of the international division of labor become, the more strictly will the rule apply that the world-market price and the producer price, and also the producer price and the consumer price, must move jointly.

1014
CSO: 2500/271

FOOD INDUSTRY REGULATORS CRITICIZED

Budapest FIGYELO in Hungarian 27 May 81 p 13

[Article by Balint Balogh: "Effects of the Regulation System"]

[Text] In 1980 food industry enterprises increased their gross production by 1.6 percent and their total sales by 3.5 percent compared to the previous year, calculated in comparable prices. At the same time, the number of their employees decreased by nearly 2 percent. Domestic sales surpassed those of the preceding year slightly--by 2.3 percent--while those of exports surpassed it significantly, by 10.1 percent. Calculated at current prices, ruble accounting exports stood at more than 92 percent of the previous year's totals, and non ruble accounting exports finished at more than 113 percent.

The Source of Greater Profits

However, in addition to the positive experiences of overall economic development, tensions have arisen in certain specialty branches. These were caused partially by the measures which resulted in large scale decreases in the development of financial bases, and partially by the mid year increase in the production prices of materials used by the food industry. These factors could be only partially counterbalanced by improvements in efficiency. As a result, tensions developed between the necessary investments and development resources.

The food industry's 1980 profit was 12.2 billion forints, which is wage proportionately 11.8 percent. The wage proportionate profit varied considerably among individual specialty branches (2.8 percent in the confectionary industry, 45 percent in the poultry industry). The canned goods, frozen foods and confectionary industries did not even reach the 4.5 percent resource proportionate profit calculated in establishing the production prices. The meat, poultry and milling industries, however, were able to record significant unplanned surplus profits--approximately 4 billion forints--through significantly increasing dollar accounting exports and exploiting relatively favorable prosperity potentials. Nearly 60 percent of food industry's 1980 profits are from these three specialty branches. This plan exceeding profit contributed to improving the balance status of the national economy's foreign trade and budget.

The larger than planned profit of the food industry was derived mostly from non ruble accounting exports, which supplied more than 11 percent of the food industry's portion of total export income. At the same time, it also provided nearly 45 percent of enterprises profits.

Domestic sales and ruble accounting export income did not turn out to be as favorable. Nearly 53 percent of enterprise income was derived from domestic sales--which comprise 81.5 percent of the total sales--while ruble accounting exports provided 3.6 percent of the returns from sales and 2.8 percent of the enterprise profits.

In 1980 the production prices of foodstuffs marketed domestically corresponded to the plan. The slightly plan exceeding production price level was exclusively the result of compositional changes.

The profitability of the ruble accounting exports is unsatisfactory in the majority of the food industry's specialty branches. This, on the one hand, made the redistribution of profits among the trust enterprises necessary, and on the other hand, reduced enterprise interest in performing ruble accounting exports.

We can hardly expect repetition of the 1980 profit in the coming years of the plan period. One reason is that from 1 January 1981 production expenditures increased significantly; another reason is that the amount of equalizing subsidies has decreased. Thus export profit can be expected to decrease.

Nearly two-thirds of the consumer prices of food industry products belongs to the fixed and maximized price categories. As a result, there is no possibility for passing on the pervading cost increases within the enterprise authority sphere. This decreases enterprise profits even if efficiency is increased.

Although enterprise profits in 1980--compared to the preceding year--increased by 59 percent, the amount of taxes encumbering the profits doubled. The centralized portion of profits increased from the annual 42.4 percent in 1979 to 51.9 percent in 1980. In certain specialty branches (canned goods, alcohol, starch and tobacco industries), the proportion even exceeds 60 percent. Profit deductions of such extent naturally reduce interest in profits among the enterprises. Within the enterprise incentive bases, the contributory funds increased by only 2.4 percent, and the branch profit development fund by 29.8 percent. The required reserve funds, however, decreased by nearly 20 percent.

The increase in the branch profit department fund is insufficient for increasing the investment level of the food industry. In fact, the investment level during the Sixth Five-Year Plan will decrease significantly, compared to previous levels because of the following reasons:

--the amount of amortization which can be withheld for development purposes has decreased;

--because the system of financing working capital has become more stringent, larger amounts of the development fund must be utilized to augment working capital;

--during 1978, the meat and poultry industries sustained losses, or rather, were short of funds. The money shortage was rectified through the issuance of credit against the enterprise development funds. Thus, the plan exceeding development funds must be utilized to make payments against these loans;

--because of significant capacity increasing developments (e.g., Kapacvar Meat Combine, the Martfu Vegetable Oil Factory, the Szabadegyhaz Corn Syrup and Alcohol Factory) heavy obligations are encumbering branch development resources during the Sixth Five-Year Plan;

--the decrease in the unobligated development funds of individual enterprises is affecting enterprise borrowing capacities, and is reducing the size of the loans.

Oppressive Obligations

Because of the large scale obligations against development funds, even the funds for the supplementation and augmentation of capital assets of some specialty branches is not assured. The tension between the stockpiling of development funds and their utilization is a result of, among other things, the fact that enterprises undertook the obligations which are encumbering their development funds on the basis of conditions which existed before the developments began. However, the modifications to the regulating system which have taken place since have served primarily to reduce development funds.

The amount of profit utilization intended for the contributory fund--because of large scale obligations encumbering the development fund, and because of the progression of the tax system--has increased only slightly compared to last year.

The net contributory fund derived from the 1980 profit was barely more than 5 percent of the year's wage expenditure. This naturally ranged from zero (frozen foods and confectionary industries) to 7.3 percent (tobacco industry) among the specialty branches.

On this basis, I believe that in order to create the monetary conditions for the investments planned for the Sixth Five-Year Plan, it would be necessary, in part, to rephase the obligations which are encumbering the development funds of some food industry branches, and in part to increase the formation of development resources.

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CSO: 2500/261

AGRICULTURAL PLANS OF WARSAW CITY VOIVODSHIP OUTLINED

Warsaw SLOWO POWSZECHNE in Polish 10 Mar 81 p 7

[Text] The prospects of spring are not very optimistic for agriculture. Many causes contribute to it, including lack of appropriate amounts of grain, potatoes, artificial fertilizers, etc, decline in the number of cattle and pigs and the lack of several associated investments. There are 100,000 hectares for planting and sowing in the Warsaw City Voivodship. So far, production means are only being partially provided for the holders of this land.

As we have been informed by the Agriculture Department of the City Administration Office, the emphasis of the Warsaw City Voivodship agriculture will be further intensification of production of vegetables and fruit, animal husbandry and grain. First of all, the problem is to reduce the grain and fodder shortages and thus check the decline in livestock. For the first time in many years full agricultural cultivation of all arable land, irrespective of farm holders, is being discussed. All untilled and fallow land is to be eliminated. The agricultural aktiv in the voivodship has been instructed to prepare a detailed evaluation and an account of agricultural, arable land by the end of March 1981.

During the spring survey, decisions will be made immediately as to those persons who will be unable to guarantee good land management. Poorly managed land will also be immediately transferred to better landholders. This pertains to the private as well as the socialized sector. Gmina [rural parish] offices have been ordered to turn over land to private farmers. Up to this time, 250 hectares have already been offered. Also a principle has been accepted to increase the sale of land from the State Land Fund to private farmers. No limits concerning this subject have been set. Wherever there is land which the farmers would like to take over, it will be transferred to them.

All planned investments which so far have not been pinpointed, have been verified. Thus, close to 1,500 hectares have been gained; 500 of these hectares have been transferred for so-called permanent use. The remaining 1,000 hectares have been transferred for a period of 6 to 10 years for use mostly as garden plots.

At the same time efforts have been made to undertake a complete verification of land set aside for the development of the Kampinos National Park. Some 700 hectares have already been excluded from afforestation and assigned for agricultural purposes. It has been decided to extend the period for purchase up to 1990, but only on the principle of voluntary action.

Plans are being made to utilize to a greater degree the unused fruit-growing land, and road renovation work will be carried out for agricultural transportation. Reclamation of land is planned in the private as well as in the socialized sectors.

As I have already mentioned, the means of production have been only partially provided. Of the 1,140 tons of needed sowing seed, only 611 tons have been provided by the Ministry of Agriculture. The farmer has to rely, therefore, on seed from his own reserves, his neighbor's help, etc. In the current year there had to be a departure from the principle of planned replenishment of seed that was carried out every 3 years. The farmer has to sow from the yield of his own crops, even beyond the 3-year period.

The situation with potatoes looks even worse. The Warsaw City Voivodship was to obtain 3,800 tons of seed-potatoes but received merely 2,120 tons. In this case, planned replenishment was eliminated, and even seed-potatoe splitting is being permitted.

The seed supply looks somewhat better; the Warsaw City Voivodship farmers need this the most. A total of 212 tons is required, but only 67 tons are available and will be distributed by contracts between farmers and the government. According to information from the Department of Agriculture, certain varieties of seed may be lacking, but these deficiencies will not be great.

Concerning mineral fertilizers, the Warsaw City Voivodship obtained the same amount as last year, and this is not enough. There will be a shortage of urea and nitrogen. Lime deliveries are also behind schedule. The situation with chemicals looks even worse; the requirement will be fulfilled by hardly 60 percent. Weed-killers, fungicides and insecticides will also be lacking. There will still be too few spare parts for machines and equipment.

Thus, the preharvest situation as to the means of production is not very bright, and nothing indicates that it will improve. How then should all of this land, the majority of which is to be transferred into the hands of private farmers, be properly utilized?

9841
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MEASURES TO ENHANCE COMPETITIVE POWER OF COMPLEX EXPORTS

Bucharest REVISTA ECONOMICA in Romanian No 20, 15 May 81 pp 15-16

/Article by Eng Emilian Ulcia, director general of Industrialexportimport Foreign Trade Enterprise: "Promotion of Complex Exports"/

/Text/ The Industrialexportimport ICE /Foreign Trade Enterprise/, with a tradition of several decades in the field of complex exports, is now emphasizing trade transactions in the fields of chemistry, petrochemistry, drilling installations, marine drilling platforms, and mining and geologic equipment and accompanying engineering services.

By making better use of natural resources like crude oil, gases and salt, the Romanian chemical industry has logged one of the highest growth rates among the industrial sectors. Through use of technologies based on its own studies and collaboration with some specialized engineering firms, it has become a modern chemical industry with an extremely wide range of products, from petrochemistry, polymers and chemical fibers to fertilizers, salt-based inorganic chemistry products, pharmaceuticals and cosmetics, organic synthesis chemistry, and rubber industrial articles and tires, to make only a brief list of some of the main subsectors developed in the last few five-year plans.

A growing role in this far-reaching process of construction is played by the Romanian School of Chemistry, which has old traditions and which is acquiring international distinction and recognition under the leadership of Academician Dr Eng Elena Ceausescu in this period.

Romania's policy of extensive international cooperation on the principles of observance of national sovereignty, equality of rights, mutual benefit and noninterference in internal affairs is making Romania a partner esteemed by all countries today.

The message of peace and international collaboration conveyed by Nicolae Ceausescu on his visits abroad and the accords and agreements made with the respective chiefs of state have created a favorable climate for concluding major export contracts in the field of complex installations. For example, the contracts for the refineries in Karachi (Pakistan), Banias (Syria), Zarqa (Jordan) and Central Anatolia (Turkey) and the Homs Fertilizers Complex (Syria) were signed by our enterprise on the basis of high-level agreements.

Complete Use of Technical Potential

The Industrialexportimport firm's commitment to such complex projects abroad has entailed great forward steps with far-reaching implications in the way of responsibility and international recognition of socialist Romania's potential. Despite the novelty of the work, which is sometimes in the nature of a pioneering effort, and despite some difficulties in the course of construction of those capacities, we can now compete on an equal basis with firms with a long international experience.

Of course deliveries of complex installations lead to better results in export effectiveness because:

- They entail export of skill in the form of licenses, know-how and the engineering operations that go with the projects. Depending on the services rendered, this export can amount to 5-10 percent of the value of the project. For example, for a refinery with an annual capacity of 3.5 million tons and a standard production structure, the engineering amounts to $20-$25 million.

- They make better use of the machinery, equipment and materials. Depending on the complexity of the project, the value of the metal included in a delivery or incorporated in machinery and equipment is multiplied by 3-10 times or even by 15 times in special cases. Moreover the deliveries include equipment produced by many other industrial sectors, since our total deliveries average 70-80 percent Romanian manufactures.

- They develop assimilation of new products, technologies and quality control methods in keeping with international requirements and standards.

- They make more efficient use of the work of the construction-installation enterprises as well as technical aid during the construction period and after activation, by virtue of the service contracts that stipulate them.

- They stimulate research and development work in the design institutes and technical progress in construction-installation because varied and modern methods and technologies must be used in these projects and cooperation with foreign engineering firms is expanded.

Complex exports also tend to promote bilateral economic, technical and scientific exchanges.

But the list does not exhaust the points in favor of exporting complex installations, particularly the advantages of the foreign partner in exploiting Romanian natural resources, training specialists, industrialization etc.

In the light of the experience acquired by Industrialexportimport in building complex capacities and the present market conditions with which we are confronted on the international market, we need new measures to ensure the competitive power of the complex exports and to expand operations of that kind in the structure of Romanian foreign trade.

A New Strategic Concept

Competitive power, in its three main aspects of technical level, delivery date and price plus terms of payment, is assuming a particular and critical importance in international transactions under today's conditions of extremely keen competition on the foreign market.

The western firms' great export surpluses, due to the reduction of internal investments in the developed capitalist countries (generally owners of advanced technologies), are making them very aggressive especially in the countries with means of payment, like those exporting petroleum, and in other countries as well.

We feel this situation calls for a new strategic concept and suitable measures to adjust to the international market conditions, such as the following:

In foreign activity:

- Concentration of efforts on areas and contacts selected on the basis of a general market survey, the market tradition, and the comparative buying-selling experience and potential; preparation of detailed studies of the markets and contacts so selected;

- Conclusion of accords and agreements on various levels (enterprise, sector or government) with the foreign counterparts to contract for complex capacities for purposes of local or regional industrialization;

- Initiating agreements with appropriate foreign firms for association on the "main contractor-subcontractor" system in important international negotiations; initiating agreements for cooperation on third markets with powerful firms selected for particular capacities and fields, on the "service for service" principle;

- Offering "attractive" economic terms such as payments in installments, payments in products, payments in costs incurred, loans at special interest rates, etc.

In domestic activity:

- The technological engineering institutes should draft fully descriptive documentation with technical references, promotional materials, and an appropriate schedule. They should also draft technical offers for reference that are adaptable to the required parameters and can form a basis of discussion and guidance of the potential customer.

- Technological and product design should include extensive standardization of the basic elements and equipment, so that the construction plans for complex installations and the pertinent equipment can be drafted within the time limits offered by competing firms.

- Supply of the technological and product engineering institutes with modern equipment and entry of the design elements in a computer are necessary measures that will guarantee greater productivity and reduction of the time and costs (still very high) of design.

- Priority procurement, according to the legal provisions, of the materials for equipment to be exported is essential to observance of the delivery dates and conformity

to the domestic prices estimated on sound technological grounds. The delivery date often has priority over the price in placing an order.

- Proper organization of the "general domestic supplier" to centralize the drafting of the domestic trade offer, with favorable effects both in technical and trade coordination and in promptness.

- Organization of special collectives in the "general domestic supplier" for each and every project to schedule and check the manufacture in enterprises, including quantitative and qualitative dispatching and reception, which they must do jointly with the foreign trade enterprise;

- Adequate organization and equipment of the construction-installation enterprises to make them competitive in price and delivery dates. In most cases the competitive power of the construction-installation enterprise is controlling in placing a project. There is very keen competition on the international market today from construction firms in the Far East and South Asia (often in combinations with American and West European firms).

- Enhancement of the competence of the foreign trade enterprise through adjustment of the table of organization to the particular activity; formation of special collectives for every capacity in the precontractual stage; Moreover the ICE /Foreign Trade Enterprise/ must have delegates playing a predominant part among designers and suppliers, to check performance at the worksite, etc.

- Acceleration and simplification on a continuing basis of the formalities of approval of offers of complex installations in order to expedite the reply to a partner as well as participation in international transactions.

We also consider it necessary to improve the organization of complex export activity in all participating ministries and centrals with design, production and construction-installation units under them. The specialized sections attached to the foreign trade enterprises should be involved in the period of drafting the plan and in prospecting, offering, contracting and activating the capacities later on.

CIA
DSC: 2700/2

CHANGES IN CREDIT SYSTEM SUPPORT SELF-ADMINISTRATION

Bucharest REVISTA ECONOMICA in Romanian No 20, 15 May 81 pp 17-18

[Article by Dr Teodor Rosca: "The Lever of Credit in Application of Self-Administration"]

[Text] Credit and interest are important levers, in the new economic-financial mechanism, for stimulating economic activity in the direction of greater economic effectiveness in general and effective use of the economic units' material and financial resources in particular, and for supporting implementation of the principles of economic-financial self-administration.

The measures to perfect the crediting system led to a new quality in the operation of credit and interest as financial levers to influence the enterprises' economic activity. We intend here to bring out the qualitative changes that have taken place in the Romanian crediting system in conformity with the decisions of the Plenum of the RCP Central Committee in March 1978 and to express our opinion on the possibilities of improving it further once the program for testing the credit measures taken in the economy has been completed.

Crediting According to Each Unit's Conditions

The present crediting system is characterized by a more pronounced differentiation of crediting according to the quality of the enterprises' economic activity, so that more attention is paid to enterprises that frequently immobilize their cash reserves in unsuitable stockpiles of material values, cost overruns, etc. This qualitative change in the Romanian crediting system was determined by application of the principle of economic-financial self-administration. Under the present conditions crediting is differentiated in more stages than it was before the Law on Finance was amended in 1979. We regard the succession of stages of differentiated crediting as a problem that arises in this connection. We see a discrepancy in the succession of stages according to the nature of the actions that can be taken. Institution by banks of preliminary control over payments should precede the stage of granting credits to restore ability to pay. We base this view on the fact that institution of preliminary control over payments is primarily a measure to prevent formation of unsuitable stockpiles in enterprises, and it no longer meets this requirement if it follows the action of crediting to restore ability to pay. And because of the restrictions on obtaining credits to restore ability to pay, the economic units rarely resort to those credits even when they have been unable to pay for relatively long periods. This

leads to no preliminary control over payments because there was no preceding stage of differentiated crediting, nor any stage of analysis of the economic-financial situation by their decision-making organs or other organs, when they immobilize their funds and do not repay their credits when due, for the same reasons. Therefore the latter stage should also precede the stage of granting credits to restore ability to pay. Then the analysis would be more prompt and efficient and the measures based on it would lead to elimination of the causes of inability to pay.

In conclusion, we think transition from one stage to another in the process of differentiated crediting should not be made rigidly through an obligatory succession of all the other stages. The transition should be judged by the bank organs according to each economic unit's particular conditions. This would also enhance the role of the bank organs in the comprehensive analysis of the enterprises' economic-financial situation, and the decision on the succession of the stages would be properly substantiated.

Credit Contract Based on Economic Criteria

The Romanian crediting system has become more efficient. This is due to expanded use of the current account, introduction of credit contracts, improved correlations between the enterprise budgets of incomes and outlays and the banks' credit plans, greater involvement of the bank organs in the management of enterprise funds, etc.

We feel the expanded use of the current account is to be regarded as the most important measure for adjusting the crediting system to the principles of the new economic-financial mechanism. Under economic-financial self-administration, self-management and self-financing it was necessary to leave to the enterprises the possibility of using, in addition to the permanent resources, the temporary resources on account at a bank, a large part of which were cash accumulations (for the period from collection to their payment where due). Analysis of the situations of several economic units served by various banks showed few cases where the economic units could not pay in their accumulations when due, and they were for very short periods.

Moreover, crediting through the current account of products invoiced in the course of collection (domestically and in export), finished products for export, products with long cycles of manufacture, etc. eliminated a number of operations in connection with deposit of the documents at a bank (attesting the existence or delivery of the products and also stimulated clearings on the payers' initiative. Expanded use of the current account is characterized by the fact that on the level of the economic units in Cluj County served by the National Bank, the proportion of credits granted through the current account in the total current (normal) credits increased from 56 percent at the close of 1979 to more than 80 percent at the close of 1980. This was a use of the current account in accordance with its nature.

Bank-enterprise relations acquired new qualities by the introduction of credit contracts. The shift to negotiation of credits on the basis of those instruments largely eliminates the situation where the banks emphasize possibilities of eliminating phenomena that have already developed in enterprise activity, while enhancing their influence in preventing negative phenomena and in improving the efficiency of the enterprises' economic activity. On the basis of the credit contracts, the banks intensify their control activity in both the process of planning the credit requirements and the process of closely checking implementation of the economic plan. Insofar as the major requirement of introducing the credit contracts (for improving bank-enterprise relations and basing them on economic criteria) is met, it can be said that

those contracts represent a new quality in the Romanian crediting system. Our view is that the legal aspect of these bilateral documents was previously considered more than the economic nature of the relations they reflect. They can become basic instruments in crediting if they are drafted on the basis of a comprehensive analysis of the enterprises' economic situation and if the contractual provisions are observed in their execution.

Credit Plan in Accordance with Budget of Incomes and Outlays

Improvement of the correlations between the enterprises' budgets of incomes and outlays and the banks' credit plans is characterized partly by the fact that the budgets of incomes and outlays are the starting point in determining the requirements for credits for their inclusion in the credit plan, and partly by the fact that the banks' credit plans do not passively reflect the provisions of these budgets. On the contrary, when the whole national economy shows a structural shift between the crediting resources and their purpose the central organs in the economy must intervene, and the provisions of the budgets of incomes and outlays concerning the volume of credits by which the economic units will benefit are also changed by this intervention.

We do not think the process of improving the correlation between the budgets of incomes and outlays and the credit plans can be considered finished. As we know, in recent years the stockpiles and outlays in the nature of circulating capital have been determined in the budgets of incomes and outlays as levels for the ends of the plan periods (quarters and years), as the credits in the credit plans are also determined. The way the attracted resources are determined does not correspond to this procedure, which resources are not determined in the budgets of incomes and outlays as incomes for the ends of the periods but mostly as minimum and permanent levels for a given period (stable liabilities), while determination of these resources in such a way does not make them comparable with the levels of the stockpiles and outlays or with the other covering resources (the circulating capital reserve and the credits). Transition to determination of these resources as levels for the ends of the periods would improve the correlations between the budgets of incomes and outlays and the credit plans. In addition, the method of planning them would agree with the method of checking them in execution, where they appear as resources for the end of the period.

In the present period the greater involvement of the bank organs in management of enterprise funds is due to the necessity of further improving the efficiency with which the funds are used throughout the national economy. The involvement of the bank organs in that process is chiefly manifested in the following ways: the bank organs' better knowledge of the realities in enterprises, and the greater role of the banks in helping the economic units eliminate the negative phenomena that develop in the process of managing the funds.

The preventive aspect of bank control has now been emphasized to the detriment of the latter and the proportion between book control and actual control has been changed in favor of the actual. We think such qualitative changes, which play an important part in improving the efficiency with which the funds are used in the economy, should be accompanied by a review of the objectives of control among various financial control organs in the economy. That is the only way the bank organs can meet the requirement of making a noteworthy contribution to improvement of the whole process of use of the material and financial resources in the national economy.

Simplified Crediting Methodology

The greater flexibility of the crediting system is due to the simplified system of banking indicators used in crediting, the more general crediting methodology, etc. The indicators of "crediting limit" and "control figure" were given up and replaced by the "credit ceiling" indicator, which was used before but only in the stage of approval and distribution of the credit plan and not in that of its execution properly speaking. This view of the banking indicators used in crediting makes the crediting system more flexible. The crediting methodology is general in the economy for problems common to all the sectors, while in some sectors only the distinctive features are expressed. Moreover the methodology is also simplified in regard to checking the way the credits are used. We think the crediting methodology has a particular role in manifesting the flexibility of crediting. To meet that requirement it must be designed and implemented, in our view, as a basic methodology, allowing the bank organs to act according to the particular conditions in each unit. To this end, it can be "purged" of some insignificant details, some references to regulatory acts other than the Law on Finance, and "supplementing" throughout a multitude of "bank circulars," which should refer solely to express tasks of the bank organs in each period.

5186
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GREATER EFFICIENCY SOUGHT IN ZOOTECHNICAL SECTORS

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[Article by Nera Bucur, Construction Studies and Projects Institute for Agriculture and the Food Industry]

[Text] The achievement of a true agricultural revolution, with regard to the technical level, productivity and general amount of activity in our villages, calls for zootechnology. The field of zootechnology now holds 45 percent of all agriculture and involves a more advanced level of mechanization. It calls for the modernization of forms and agricultural complexes and also requires a higher quality of work and greater responsibility on the part of those employed in the field.

One of the ways in which action can be taken is the standardization of investments in the zootechnical sector. Regarding the standardization of construction work recently completed, it was found that about 40 percent of the list of standard projects needed for the agricultural and food industries dealt with production processes and the buildings or installations serving this sector, either directly or indirectly.

The standardization action must be continued according to a highly superior qualitative plan. With regard to this plan we feel that one of the directions that would insure greater effeciency is a careful inventorization of various agricultural installations during their operation period. After a careful inventorization these installations were found to be quite appropriate and viable with respect to technological production processes as well as the actual construction of the shelters required for the animals. Not enough consideration was given in the past to the materials used for these shelters. These shelters can be modest yet still comfortable for the animals. But they should be constructed with local materials such as stone, brick, wood, etc. This is very important. In past situations difficult, costly solutions were all too quickly resorted to. These solutions took a long time to carry out and were based on the use of energy intensive materials such as metal, cement or asphalt. The need to change this approach was emphasized by Comrad Nicolae Ceausescu in his speech at the recent Congress of Farmers. He stated that: "In agriculture, as in all the national economy, we must pay more attention to increasing the efficiency of investments. It is necessary to act with all our forces to finish the installations now under construction and put them to use. We can use standard plans that have simple and economical solutions which call for local building materials obtained easily and at low cost."

Another means toward greater efficiency is to replace the technological production process that calls for keeping dairy cows tied in stables and, instead, allow the cows more freedom of movement. Another way would be to change the utilization index for the space needed for the buildings.

In addition, something needed on the farms and zootechnical complexes is the standardization and introduction of "universal building structures" that have the same common dimensions and elements of resistance. By changing the production process elements these buildings can be used for different species of animals. For example, a universal zootechnical structure with a clearance of 12.5 meters and having pre-molded or prefabricated supports of wood and metal can be used either as a barn for meat chickens or a milking herd. By using universal structures the number of specific-type dimensions of construction elements is reduced. At the same time, the amount of local materials being used increases.

In achieving new zootechnical objectives research and development must be carried out with extreme care. Attention to detail in the technicoeconomic documentation for the zootechnical farms in each region [judet] is of great importance in order to avoid a future use of solutions that are insufficiently tested from the technical and economic standpoints. The application of solutions dictated by subjective, local considerations shows the need for thorough testing. This is evidenced by the application of investments in sites which have proven inappropriate for meeting the basic requirements of animal raising. We refer to the particular case of certain farms for high quality dairy cows that were built in areas without pasture-land. This is contrary to the technology used in countries which have extensive experience in raising dairy cows, which prefer open grazing to feeding in mangers. The lack of a careful scientific approach to the problem and the failure to take into consideration all the factors of technology and ecology have produced inappropriate economic results in some situations.

Regarding the types of farms needed for cattle, it is our view that the ideal type of shelter and technological production processes needed for raising these animals, especially dairy cows, can be determined with greater competence.

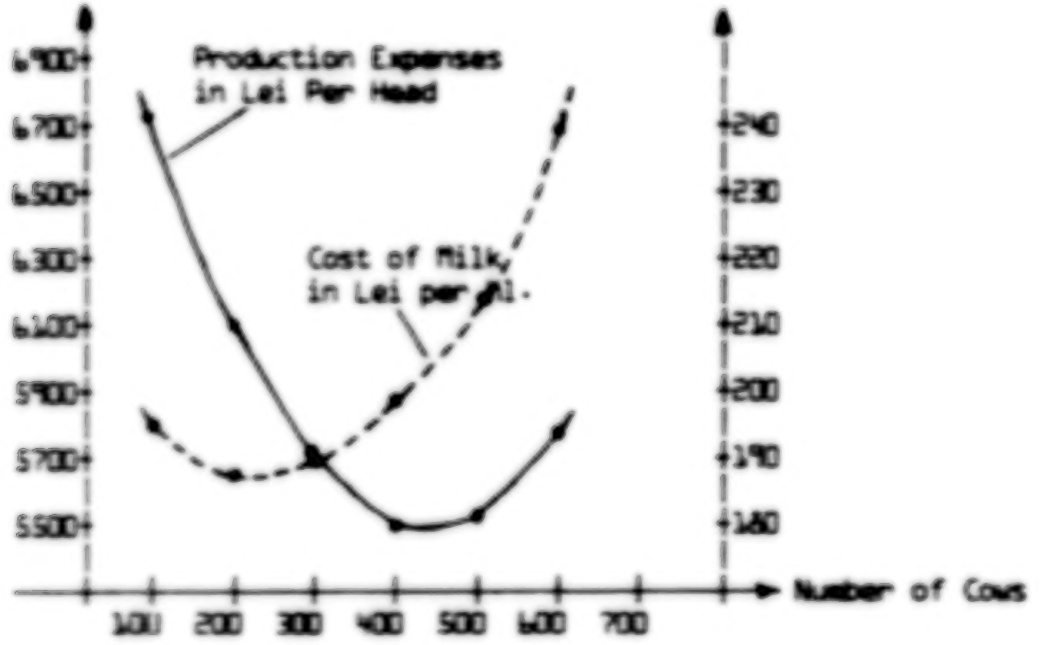
According to rigorous scientific criteria, determining the size of the standard zootechnical farm, without the exaggerations that occur in some cases, is also one of the primary ways of ensuring the profitability of the respective agricultural units.

As a rule, modern zootechnology is based on the concentration of animal groups on large farms or complexes of an industrial type. This permits advanced mechanization, better organization of labor, the economization of resources and, finally, an increase in economic efficiency. This principle cannot be practice without a thorough analysis of all production factors, after which the optimum size of the production facilities will be determined. Along with the increased capacity of the farms, there is a reduction in the production expenses per head of animal. The cost per unit of a product, e.g., a hectoliter of milk, increases as a result of reducing the production per head of cow fed. The cause for this was a reduction in the probability of successful, simultaneous combination of the positive production factors offered by the large farms.

Thus, it is important that the zootechnical farms be of such a size to permit the efficient use of all available human and material resources. In this sense, the data from a study done by an institute specializing in cattle raising is of interest. This study was conducted at 56 dairy farms belonging to firms located in the regions [judet] of Mures, Cluj, Sibiu, Alba and Brasov*.

* See the article entitled "efficiency of the Concentration Process in Raising Cattle", by Gheorghe N. Iosif, REVISTA ECONOMICA No 44/1980.

The study points out the multitude of factors that must be considered in determining the ideal size of a farm. These factors included milk production, production expenses and the general operating expenses of the facility. A conclusion was reached that the ideal size if a farm in the conditions present in Transylvania is 400 to 500 head of cattle. This figure was reached as viewed from the standpoint of total production expenses. The ideal farm size from the standpoint of cost of a hectoliter of milk was 200 to 300 head. [See accompanying diagram.]



Influence of the Average Number of Cows Maintained on the Production Expenses and the Cost of Milk

A basic element of production expenses is the yearly increase in the work force needed by the large mechanized operations. This can influence the accuracy of the findings given above. It is certain that the optimization of the size of zootechnical farms is imposed in a stringent manner based on modern mathematical methods of analysis and calculation. This will vary from one region to another.

Another essential element of planning and standardization in zootechnology is the use of "household sectors". These are units or shelters for raising animals in

small numbers, with low productivity and where manual labor predominates. For the purpose of profitability, their modernization must be performed by adapting the technological solutions from standard projects to each individual case. These projects may be from those approved recently or others to be worked out in the future.

The application of unique and mandatory documentation is based on rational solutions for modernization determined according to the species of animal and the types of existing buildings. This will avoid resorting to "modernization" that is insufficiently studied and which has often caused directo losses in livestock numbers and production. For example, the solution of raising pigs in battery groups processed mechanically was not studied thoroughly enough to determine if it was suitable for our conditions. Because of this we did not achieve results and this solution could not be generalized in production. Nonetheless, in the initial stage there was no shortage of recommendations to introduce this technology, considered to be a genuine innovation.

The question of introducing or expanding the use of non-conventional sources of energy on zootechnical farms has become a pressing matter, and for well known reasons. Such energy sources include biogas, wind and the sun. The specific nature of the zootechnical sector offers particularly favorable conditions for their use. Biological gas production is based on the use of part of the large quantity of manure which until now was used only as fertilizer. Initial experiments done at the pilot station in Peris have shown that the extraction of biogas from secondary products does not eliminate their use as fertilizer. The results of such a double use of manure are even more favorable from the standpoint of preventing environmental pollution. Wind and solar energy have a broad use on zootechnical farms because of their location in open fields and isolated areas.

The new regulations in investment policy for zootechnology will bring about a shift of emphasis to qualitative aspects, will increase efficiency, and transform every farm into a profit making unit.

The employment of the creative capacity of the research and planning sectors will insure maximum quality for future standard projects and provide better solutions from the standpoint of technological functionality. It will also provide for a definite reduction in expenditures of materials, energy and labor as provided for in the new Law on Investments.

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